

Message Text

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ORIGIN SS-15

INFO OCT-01 EUR-12 ISO-00 NEA-10 EB-07 FEA-01 ERDA-05

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H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-06 SP-02 STR-04 TRSE-00 ACDA-07

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TO AMEMBASSY LONDON

C O N F I D E N T I A L STATE 204655

E.O. 11652: GDS

TAGS: MASS, ENRG, UK, IR

SUBJECT: IRANIAN OIL FOR ARMS DEAL

REF: LONDON 12767

1. BRITISH EMBASSY COMMERCIAL MINISTER CALLED ON DEPARTMENT TO COMPARE VIEWS ON IRANIAN OIL FOR ARMS DEALS. HE PROVIDED ESSENTIALLY THE SAME INFORMATION AS REFTEL EXCEPT THAT HE DESCRIBED PROPOSED SHELL-BAC ARRANGEMENT WITH GOI AS INVOLVING DIRECT OIL CONTRACT BETWEEN NIOC AND BAC WITH SHELL RECEIVING OIL FROM BAC AT A TWO PERCENT PRICE DISCOUNT. THIS DIFFERS FROM U.S. COMPANY DISCUSSIONS WITH GOI IN THAT OIL CONTRACTS
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WOULD BE BETWEEN NIOC AND U.S.OIL COMPANIES, WITH NO

CONTINUING-RESPONSIBILITY OR FINANCIAL LIABILITY
RETAINED BY U.S. ARMS COMPANIES.

2. DEPARTMENT OFFICER STATED IN STRICT CONFIDENCE THAT
NEGOTIATIONS WITH U.S. ARMS COMPANIES AND OIL COMPANIES
WERE NOT PROGRESSING FAVORABLY AND IT NOW APPEARED
DOUBTFUL THAT AGREEMENT WOULD BE REACHED SOON DUE TO
HARDENING IRANIAN POSITION AGAINST SIGNIFICANT OIL PRICE
DISCOUNT.

3. DEPARTMENT OFFICER EXPLAINED USG POSTURE OF
SYMPATHETIC INTEREST BUT NO DIRECT INVOLVEMENT IN EITHER
THE ARMS-OIL NEGOTIATIONS OR FINANCIAL FLOWS THAT MIGHT
RESULT FROM THEM. USG POSITION IS THAT IF PRIVATE
COMPANIES CONCERNED FIND IT IN THEIR BUSINESS INTEREST
TO FACILITATE EXPANDED IRANIAN OIL EXPORTS TO THE U.S.,
THIS WOULD BE WELCOMED BY USG BECAUSE IT WOULD SERVE
U.S. INTEREST IN IMPROVING RELATIVE U.S. SECURITY OF
OIL SUPPLY AND WOULD ENABLE IRAN TO CARRY OUT THOSE
ELEMENTS OF ITS MILITARY PROCUREMENT PROGRAM WHICH HAVE
BEEN FOUND BY USG TO BE IN OUR MUTUAL SECURITY INTEREST.
HOWEVER, U.S. PROCEDURES AND POLICIES AFFECTING ARMS
SALES APPROVAL WOULD IN NO WAY BE AFFECTED BY EXISTENCE
OF ANY SUCH SCHEME FOR GENERATING IRANIAN DOLLAR
EARNINGS. KISSINGER

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